DDS&T #2318-69
10 June 1969

MEMORANDUM FOR: Acting Chief, Information Processing Staff,
OPPB

THRU : Comptroller, DDS&T

SUBJECT : Computer Purchase/Lease Alternatives for
FY-1971 Program

REFERENCE : Memorandum for Directorate Planning Officers
from AC/IPS/OPPB dtd 5 Jun 69, same subject

1. OCS and its predecessor organizations have considered
purchase/lease alternatives in their computer acquisitions since
the early 1960's when BoB began to stress these alternatives in
the acquisition of ADP equipment. Early purchases included IBM
punched card equipment and the RCA 501 computer system. Since
April 1964, when IBM announced its third generation computers, OCS
has purchased an IBM 360/50, two IBM 360/65's, and two IBM 360/20's.
In FY-70 an IBM 360/67 and another IBM 360/65 will be purchased.
Thus, all of our systems, except the RCA 70/45, RCA 70/35 and a
small CDC page reader system will be government-owned.

2. When I speak of purchasing a system, I should make it
clear that I am referring primarily to the central processing unit,
console devices, core storage units, and selector channels. The
remaining components--magnetic tape units, printers, card reader/
punches, disk units, drums, data cells, and the like, generally have
not been purchased. The exceptions are the now-released RCA 501
and the IBM 360/20's, for which all components were purchased.

3. While the shape of things to come in the so-called "4th
generation" of computer equipment is not clear at this time, I believe
that we have reached a point in the technical life span of 3rd generation
hardware such that it is unwise to plan for additional purchases. This
point has been stressed in program reviews with OPPB; the 3rd
generation IBM line is now over 5 years old.

SECRET

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4. A comparison of the Agency's record of purchases with that of other government agencies in DC, Md, Va, and WVa might be interesting if BoB is pushing the purchase line. As of 30 June 68, the latest date for which data is available, 42% of the Agency's IBM 360 systems were purchased as compared with 16% in other government agencies (see Attachment 1). Of course, planned OCS purchases in FY-70 will raise this purchase ratio even higher.

5. If you must develop the cost of purchasing equipment which I have proposed be rented in FY-71, the programmed rental ($3.5 million) may be multiplied by a factor of three* for this figure; a copy of the OCS projected inventory for FY-71 is attached (Attachment 2). But, again, I do not recommend that this be done.

/s/

CHARLES A. BRIGGS
Director of Computer Services

Attachments: a/s

*N.B. The factor is four when a complete system is acquired, new. Our policy has been to acquire only the non-mechanical portions of the larger systems (see para. 2), after a fair amount of rental credit has accrued.

Distribution:
Orig + 1 - Adse
1 - Compt. /DDS&T
2 - DDS&T Registry
1 - C/Admin/OCS
1 - C/Ops/OCS

25X1   O/D/OCS:CABriggs [   ] 10Jun69)

Attachment 1

27 March 1969

MEMORANDUM FOR: Director of Computer Services

SUBJECT : Computer Lease/Purchase

1. The 19 March 1969 Computerworld and the GSA listing of computers in DC, Md, Va, and WVa provide interesting information on the subject of computer purchasing and leasing.

2. From Computerworld . . ."The percentage of computers leased as opposed to purchased rose slightly in 1968, reversing a seven-year trend. In 1968, 1798 machines, or 42.5% were leased, compared with 2434, or 57.5% purchased. By contrast, back in 1961, 84.6% of the Government's computers were leased." Incidentally, IBM's share of the Government market, according to Computerworld, was only 29.9% in 1967.

3. The GSA listing of IBM 360 computers in the DC, Md, Va, and WVa area shows that 84% are leased and 16% are purchased; about the same as the 1961 balance shown in Computerworld. Obviously some of the difference between the Computerworld statistics and those that I have lifted from the GSA report are due to differences in the data base. Also, NSA, CIA, DIA and similar organizations are not included in these reports.

4. It is interesting to compare the CIA IBM 360 computer holdings with those shown in the GSA report for FY68:

	GSA Listing of DC, Md, Va, WVa IBM 360 Equipment (non-sensitive i.e., no NSA, DIA, CIA)		CIA IBM 360 Equipment	
	Leased	Purchased	Leased	Purchased
360/20	19	2	1	2
380/30	59	7	1	0
360/40	25	7	3	0
360/44	0	1	0	0
360/50	23	2	1	1
360/65	10	4	1	2
360/75	2	4	0	0
360/91	2	0	0	0
360/95	1	0	0	0
TOTAL	141	27	7	5
	84%	16%	58%	42%

Executive Assistant, OCS

25X1

Attachment 2

OCS ADP EQUIPMENT INVENTORY
(As Projected for FY-71)

Computer System	Purchased Equipment		Leased Equipment
	Cost	Annual Rental Equivalent	FY-71 Projected Rental
IBM 360/67	1,450	520	810
IBM 360/65(1)	1,430	520	780
IBM 360/65(2)	2,470	820	530
IBM 360/65(3)	1,130	510	680
Add'l Components for above Systems	-	-	310
IBM 360/20(1)	160	50	-
IBM 360/20(2)	180	50	-
RCA 70/45	-	-	270
RCA 70/35	-	-	50
Page Reader	-	-	50
Misc Computer Equip (A/D Plotters, Disk Packs, etc.)	800	N/A	10
Misc EAM	60	10	60
Other (Xerox etc.)	-	-	10
TOTALS	7,680	2,480	3,560